

Message Text

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ACTION EUR-12

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C O N F I D E N T I A L USNATO 0098

E.O. 11652: GDS
TAGS: NATO, ENRG, XH, ASEC
SUBJECT: ECONADS: PROPOSED DECLASSIFICATION OF COMECON ENERGY
PAPER

REF: (A) 76 STATE 265169; (B) USNATO 6428; (C) C-M(76)57

1. WE QUOTE INTERNATIONAL STAFF MEMORANDUM SUGGESTING
DELETIONS FROM REF (C) WHICH - THEY BELIEVE - WOULD PERMIT
DECLASSIFICATION OF THE BALANCE FOR POSSIBLE USE WITH
PUBLIC - BEGIN TEXT.

(III) THE WEST

14. THE IMPORTANCE FOR THE SOVIET UNION OF OBTAINING
WESTERN TECHNOLOGY AND EQUIPMENT HAS ALREADY BEEN REFERRED TO
IN PARAGRAPH 9. AT THE SAME TIME, WESTERN COUNTRIES ARE
SEEKING TO DIVERSIFY THEIR SUPPLY SOURCES. FOR THIS PURPOSE
THEY MAY HAVE SOME INTEREST IN ENABLING THE RUSSIANS TO MAINTAIN
OR EVEN INCREASE, THEIR HYDROCARBON EXPORT CAPACITY (OIL AND
NATURAL GAS).

15. FROM THE POINT OF VIEW OF THE WORLD ENERGY BALANCE,
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MOREOVER, THERE MAY BE SOME ADVANTAGE IN THE CONTINUATION OF
SOVIET ENERGY EXPORTS, PARTICULARLY OIL. SOVIET SALES MAY
CONTRIBUTE TO MODERATE UPWARD MOVEMENTS IN INTERNATIONAL PRICES.
WHILE PROVIDING ADDITIONAL SUPPLIES ON THE MARKET.

16. PROVIDED THAT THERE IS NO DETERIORATION IN EAST-WEST
RELATIONS, IT SEEMS THEREFORE UNLIKELY THAT THE WEST, AND MORE
PARTICULARLY THE ALLIED COUNTRIES, WILL WITHHOLD THE MACHINERY
AND TECHNOLOGY WHICH THE COMMUNIST COUNTRIES REQUIRE FOR THEIR
ENERGY INDUSTRIES. HOWEVER, CO-OPERATION IN THE FIELD OF

ENERGY SHOULD TAKE ACCOUNT OF CERTAIN FINANCIAL AND ECONOMIC-POLITICAL LIMITING FACTORS.

17. THE SOVIET UNION MUST FIND THE MEANS OF PAYING FOR THE ADDITIONAL MACHINERY AND TECHNOLOGY IT MAY SEEK TO OBTAIN FROM THE WEST. IN THIS RESPECT, THE COMMUNIST COUNTRIES ALREADY MAKE EXTENSIVE USE OF EXPORT CREDITS AND OTHER FORMS OF EXTERNAL FINANCING TO COVER THE COST OF THEIR IMPORTS FROM THE NON-COMMUNIST INDUSTRIALISED WORLD 1). IN THE CASE OF OIL AND NATURAL GAS PROSPECTION AND EXPLOITATION, THE PROJECTS MAY ENTAIL A CERTAIN DEGREE OF RISK AND TAKE A LONG TIME TO COME TO FRUITION, THEREBY IMMOBILISING SUBSTANTIAL CAPITAL, WITHOUT THE CERTAINTY OF ADEQUATE RETURNS.

18. UNTIL 1975, WESTERN CREDITS WERE GENERALLY GRANTED TO COMECON COUNTRIES AT ATTRACTIVE CONDITIONS, BUT THESE ARE NOW BECOMING MORE STRINGENT FOR SEVERAL REASONS:
(A) CAPITAL NEEDS IN THE WEST ARE INCREASING BECAUSE OF IMPROVED MEDIUM-TERM GROWTH PROSPECTS AND OF PROJECTS TO FOSTER THE DEVELOPMENT OF THE LDCS' ECONOMIES AND OF THEIR NATURAL RESOURCES.

1/ ACCORDING TO CERTAIN SOURCES THE TOTAL DEBT BURDEN OF THE COMMUNIST COUNTRIES AT END 1975 WAS AROUND \$31 BILLION, OF WHICH \$13 BILLION REPRESENTED THE SOVIET DEBT (EXPORT CREDITS AND RECOURSE TO THE EURO-MARKET).
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(B) WESTERN BANKS AND GOVERNMENTS ARE BECOMING WARY OF THE CREDIT WORTHINESS OF CERTAIN COMMUNIST COUNTRIES AND MAY, HENCEFORTH, HESITATE TO RAISE THE CEILING OF THE FINANCIAL FACILITIES THEY ARE PREPARED TO GRANT THESE COUNTRIES;

(C) AS THE RISKS INCREASE SO THE RATES OF INTEREST MAY HAVE TO GO UP 1/

19. A PARTIAL SOLUTION OF THE PROBLEM REFERRED TO ABOVE -WHICH HAS ALREADY BEEN APPLIED IN CERTAIN INDUSTRIAL FIELDS MAY PERHAPS BE FOUND IN A FORM OF OFFSET ARRANGEMENT WHEREBY THE SOVIET UNION AND THE EAST EUROPEAN COUNTRIES WOULD SUPPLY COAL, NATURAL GAS AND OIL IN EXCHANGE FOR DELIVERIES OF EQUIPMENT. THIS PROCEDURE, WHICH HAS ALREADY BEEN ADOPTED FOR SOME SOVIET NATURAL GAS SALES TO CERTAIN WESTERN COUNTRIES, WOULD VERY PROBABLY BE ACCEPTABLE TO THE COMMUNIST COUNTRIES.

20. FROM THE ECONOMIC-POLITICAL ANGLE THE FOLLOWING POINTS MAY BE WORTH CONSIDERING:
(A) ANY INCREASE IN SOVIET ENERGY OUTPUT WHICH LEADS TO AN EXPANSION OF EXPORTS (ESPECIALLY OF OIL AND NATURAL GAS) TO THE EAST EUROPEAN COUNTRIES COULD LEAD TO INCREASED DEPENDENCE OF THE LATTER

VIS-A-VIS MOSCOW;

(B) THE ALLIANCE, IN ITS ATTEMPTS TO DIVERSIFY ITS
ENERGY SUPPLY SOURCES, SHOULD BE WARY OF A SITUATION
WHERE CERTAIN ALLIED COUNTRIES COULD BECOME
DEPENDENT ON SUPPLIES FROM THE EAST TO THE POINT
WHERE IT MIGHT GIVE THE SOVIET UNION POLITICAL
LEVERAGE2/;
END TEXT.

2. ACTION REQUESTED: CONCURRENCE OR OTHER COMMENTS
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AS SOON AS FEASIBLE, BUT IN TIME FOR THE JAN. 20 ECONADS
MEETING AT THE LATEST. STRAUZ-HUPE

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<< END OF DOCUMENT >>

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